

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7204

BILL NUMBER: SB 572

NOTE PREPARED: Jan 16, 2007

BILL AMENDED:

SUBJECT: Medicaid Reimbursement Rates.

FIRST AUTHOR: Sen. Errington

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
☒ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning to survey Indiana physicians to determine health care service costs and to prepare a report containing the data collected. The bill requires the Office to group the data collected in specified groups and compare the health care costs submitted with the reimbursement rates for the health care service under the Medicaid and Medicare programs. It requires the Office before October 1, 2007, to prepare and submit a report and to be available to testify to the Select Joint Commission on Medicaid Oversight.

Effective Date: Upon passage.

Explanation of State Expenditures: The bill requires the Office of Medicaid Policy and Planning (OMPP) to conduct a survey of physicians by specialty area, county, and setting to determine the cost of health care services provided in comparison to Medicaid and Medicare reimbursement rates. OMPP is to provide the physicians with a definition of cost. The bill specifies that the survey is to focus on pediatrics, obstetrics and gynecology, family practice, psychiatry, and emergency department care. OMPP may include additional specialties if it is determined it would be beneficial. OMPP would likely contract for such a survey. While the cost is indeterminate, the 2006 dispensing fee survey provides a reference point for what cost might be involved in such a contract. The contract for the biennial dispensing fee survey was for \$175,000, or a state General Fund cost of \$87,500 every two years.

Background Information: Using a previously developed data collection tool, the contractor reported that the dispensing fee survey takes approximately 7 to 8 months to complete. Surveys, which constitute a mini-cost report, are submitted to approximately 1,300 pharmacy providers; approximately 30 to 35% are returned. Data is reviewed to assure the reliability of the responses and input into a previously designed data base to

be analyzed for one statewide cost factor. The contract for the biennial dispensing fee survey was for \$175,000, or a state General Fund cost of \$87,500 every two years after taking into account federal reimbursement.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid Program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning, Family and Social Services Administration.

Local Agencies Affected:

Information Sources: Office of Medicaid Policy and Planning, Myers & Stauffer.

Fiscal Analyst: Kathy Norris, 317-234-1360.